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DRAFT

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30 MARCH 1981

NSC BRIEFING

NO CHANGE IN CLASS. ☐

DECLASSIFIED

CLASS. CHANGED TO: TS S (C) 1990**CONFIDENTIAL**

NEXT REVIEW DATE:

AUTH: HR 70-2 1-3-80STATUS OF NEGOTIATIONS IN YEARDAY OF MONTH

25 YEAR RE-REVIEW

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[redacted] Iranian officials are eager to begin

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negotiations to settle the three-year oil dispute with Britain. Prime Minister Zahedi is personally committed to solving the oil dispute. Statements and acts by Iranian officials generally have been designed to create an atmosphere which would make negotiations easy. Some of the recently elected Iranian deputies as well as others not in the government may, however, be expected to oppose any oil negotiations, and an all-out attack may begin when talks start. The Iranian government's position is weakened in proportion to the delay in getting negotiations under way in Tehran. Delay not only gives the opposition a chance to crystallize but also breeds discouragement among officials who have so far been anxious for a settlement.

In London, the Anglo-Iranian Oil Company, five major American oil companies, Royal Dutch Shell and the Compagnie Francaise des Petroles have been trying for several months to reach agreement on financial participation in the proposed consortium and on compensation owed to AIOC by Iran.

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The British government has decided to negotiate the compensation issue directly with the Iranian government, thus taking it out of AIOC hands. Foreign Minister Eden is apparently aware of the need for settlement with Iran and realizes that Fraser's compensation demands would block any Iranian consideration.

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The British government has indicated that AIOC will

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have to accept the results of these compensation negotiations, which are to be carried on in Tehran simultaneously with the consortium negotiation.

Iranian officials have made it clear that if the British ask them for direct compensation, they in turn will advance extensive counterclaims.

Many Iranians feel that these counterclaims against AIOC will more than cancel out AIOC's claims against Iran.

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negotiations on this point will probably be extended. The outcome will to a large extent depend on the attractiveness to Iran of the consortium's over-all production and marketing plan, as well as British willingness to accept a relatively small amount of compensation.

The possibility of reaching an agreed settlement is now made potentially more difficult by the fact that the Majlis has been assembled and in theory is now ready for business. The longer the Majlis has to discuss the negotiations the more opportunity the opposition will have to work up sentiment against any solution. Likewise, any agreement submitted to the Majlis for approval will be thoroughly discussed publicly, albeit recklessly, and the Majlis will be even more likely than the official negotiators to detect any real or fancied infringement of Iran's rights.

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NSC BRIEFING

30 March 1954

### THE ANGLO-IRANIAN OIL DISPUTE

- I. Iranian officials are eager to begin negotiations to settle the long standing oil dispute with Britain.
  - A. Have attempted to create atmosphere which will facilitate negotiations. However, there is opposition to any settlement.
  - B. Government's position is weakened by long-delay in opening talks in Tehran.
  - C. Discouragement will grow even among Iranian officials interested in a settlement.
- II. In London eight major oil companies have for several months been discussing formulation of an operating and marketing consortium for Iranian oil.

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- III. British government has decided to negotiate the compensation question directly with Iranian government.

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B. Iranian officials have indicated that they will advance counterclaims if British ask for direct compensation from Iran.

C. They believe there counterclaims will more than cancel AIOC's claims.

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- IV. Difficulty of finding a solution will be increased if Majlis has time to debate oil problem?

A. Opposition will have time to gather force.

B. Thorough and sometimes reckless discussions of any settlement proposal will be likely to detect any real or fancied

infringement of Iran's rights.

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